

Fiscal Year 2017 Vermont Hospital System

Preliminary Look
Green Mountain Care Board
JULY 28, 2016

Agenda



Hospital Budget System Summary



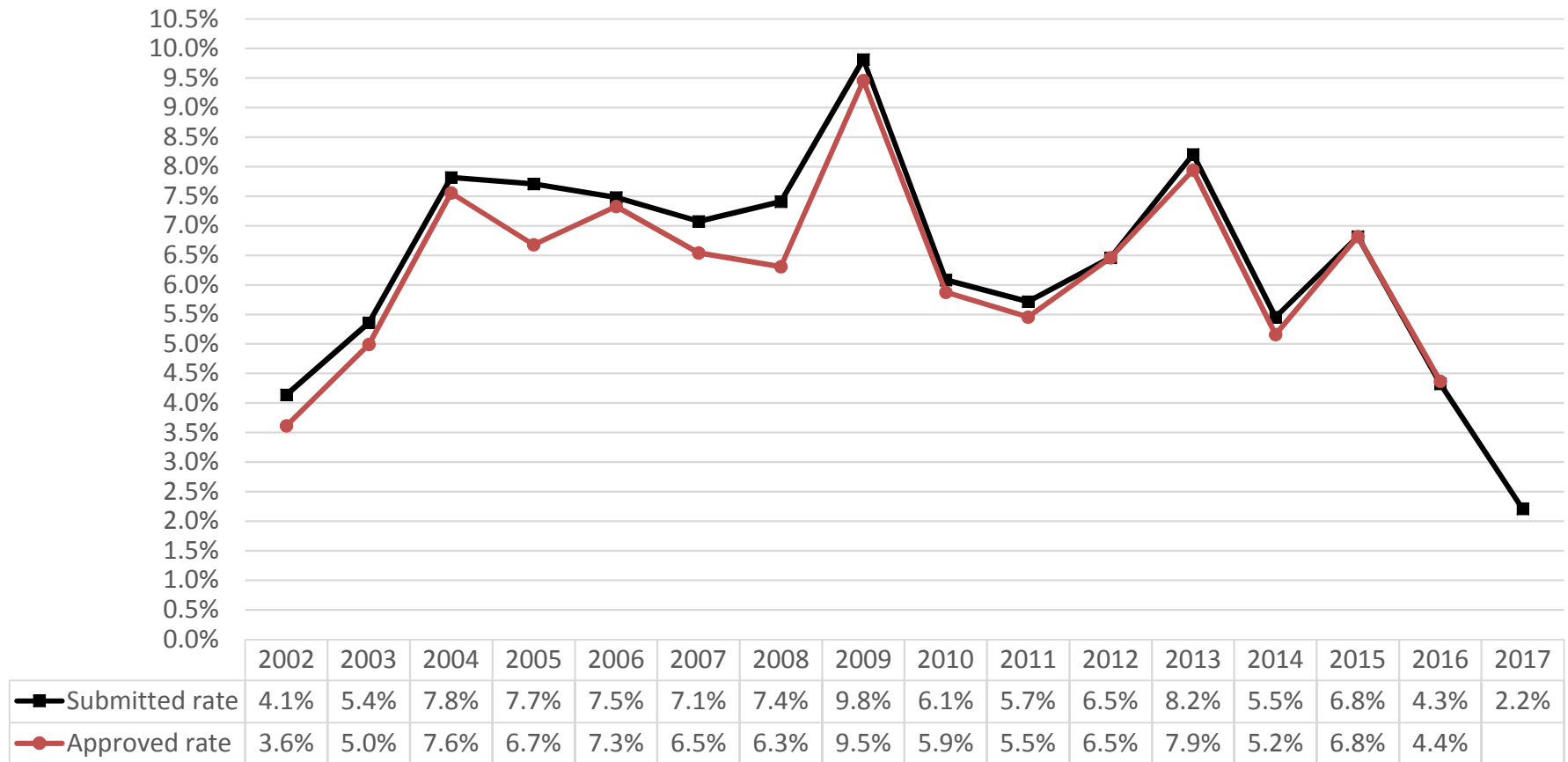
Timelines & Next steps



Questions?

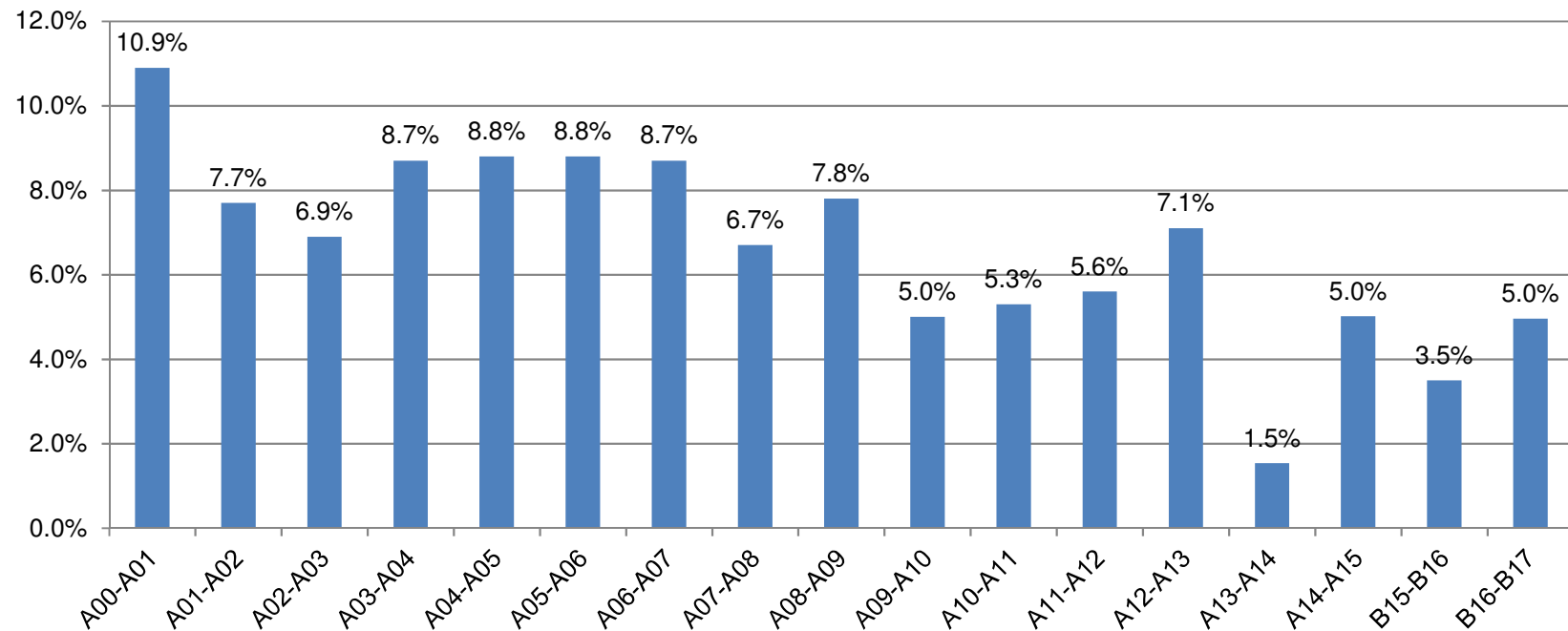
As a system, we are seeing a low rate increase

Vermont Community Hospitals Weighted Average Rate Increases



As a system, we are seeing higher net patient revenues

**Vermont Community Hospitals
Annual % Increase**



Adjusted to reflect bad debt reporting change in 2012

This is a summary of all hospital budgets submitted

Vermont Community Hospitals Profit and Loss Statement

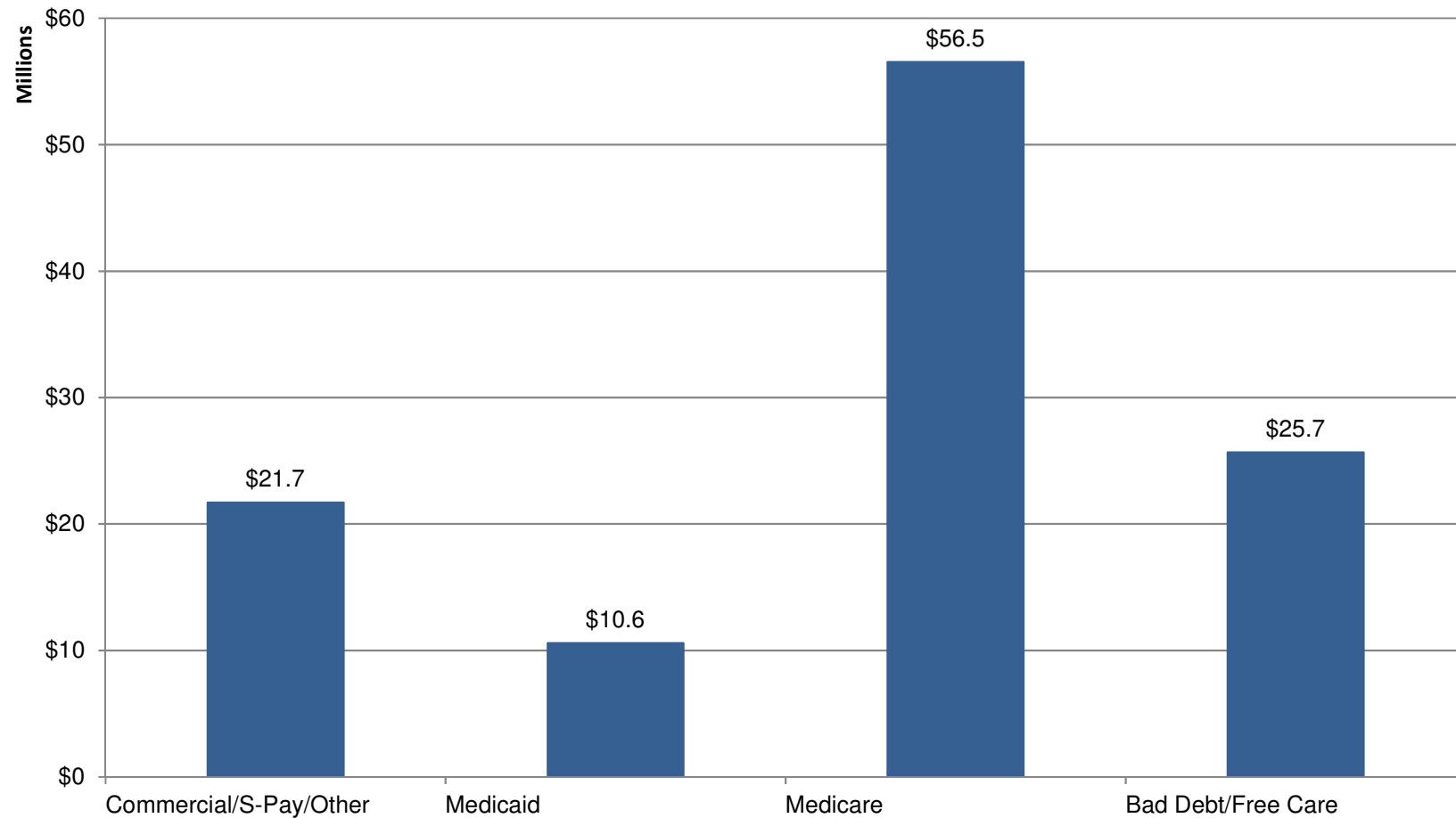
	2015 Actual	2016 Budget	2016 Projection	2017 Budget	2016 Budget - 2017 Budget \$ Growth	% Change
Gross Patient Care Revenue	\$ 4,823,931,807	\$ 4,892,291,634	\$ 4,932,595,593	\$ 5,026,525,427	\$ 134,233,793	2.7%
Net Revenue Deductions	\$(2,545,661,498)	\$(2,584,810,586)	\$(2,593,671,809)	\$(2,604,570,312)	\$ (19,759,726)	-0.8%
Net Patient Care Revenue	\$ 2,278,270,309	\$ 2,307,481,048	\$ 2,338,923,784	\$ 2,421,955,115	\$ 114,474,067	5.0%
Other Operating Revenue	\$ 141,381,096	\$ 138,177,577	\$ 141,614,766	\$ 144,655,262	\$ 6,477,684	4.7%
Total Operating Revenue	\$ 2,419,651,405	\$ 2,445,658,625	\$ 2,480,538,550	\$ 2,566,610,376	\$ 120,951,751	4.9%
Total Operating Expense	\$ 2,309,283,512	\$ 2,376,018,120	\$ 2,410,993,243	\$ 2,495,520,867	\$ 119,502,747	5.0%
Net Operating Income (Loss)	\$ 110,367,893	\$ 69,640,505	\$ 69,545,307	\$ 71,089,509	\$ 1,449,004	2.1%
Non-Operating Revenue	\$ (20,910,214)	\$ 30,710,453	\$ 33,478,719	\$ 35,546,043	\$ 4,835,590	15.7%
Excess (Deficit) Of Revenue Over Expense	\$ 89,457,679	\$ 100,350,957	\$ 103,024,026	\$ 106,635,551	\$ 6,284,594	6.3%
Operating Margin %	4.6%	2.8%	2.8%	2.8%	-2.7%	

Net Patient Revenue changes as reported

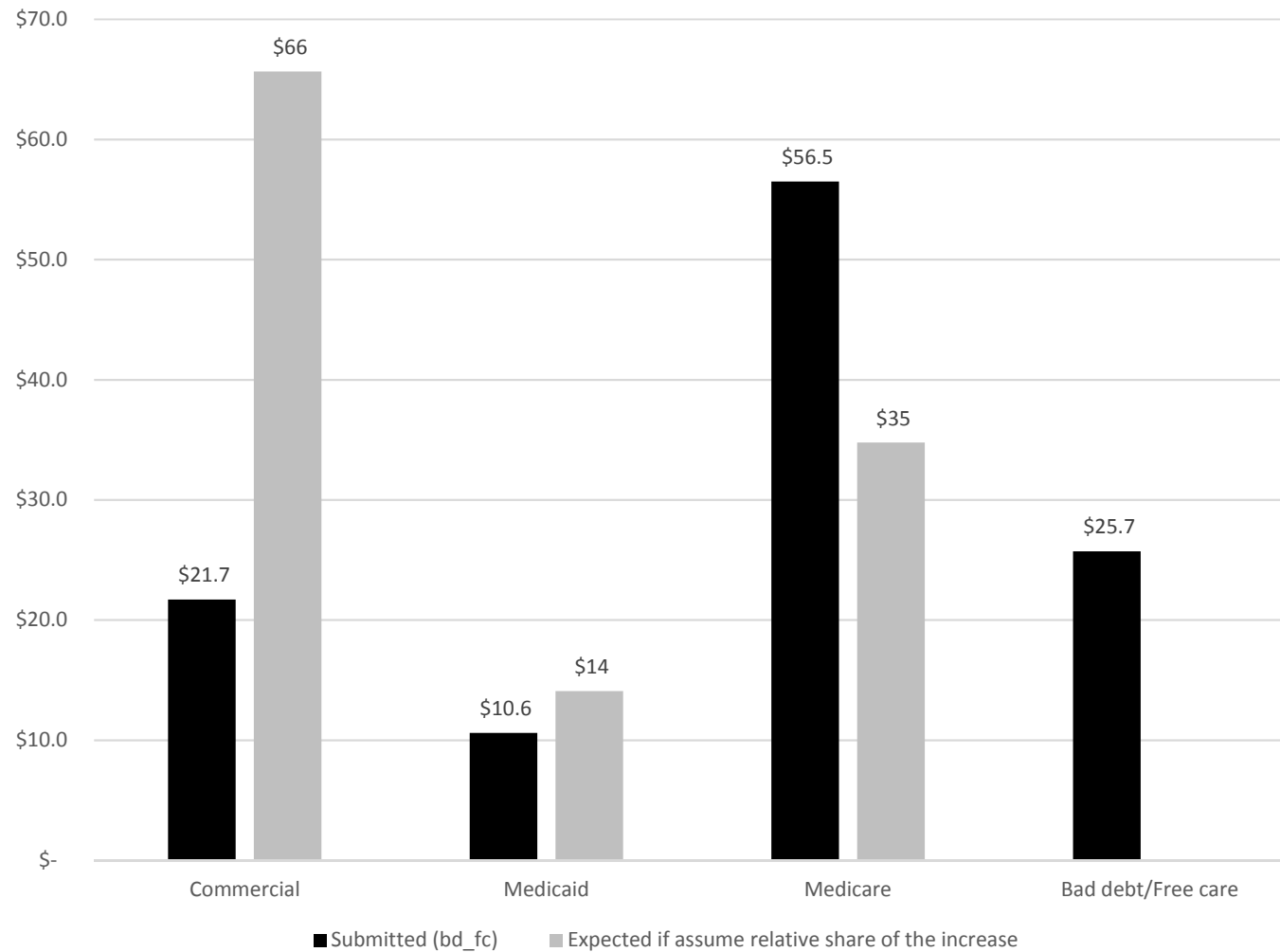
Total net patient revenue change	\$114.5 million
Rate effects	\$ 17.7 million
Physician transfers	\$ 18.8 million
Utilization changes	\$ 20.8 million
New programs or enhanced programs, Health care reform, reimbursement changes, other	\$ 57.2 million

Net Patient Revenue by payer

FY 2016 to 2017 increase - \$114.5 Million



Net Patient Revenue Increase by payer \$114.5 Million

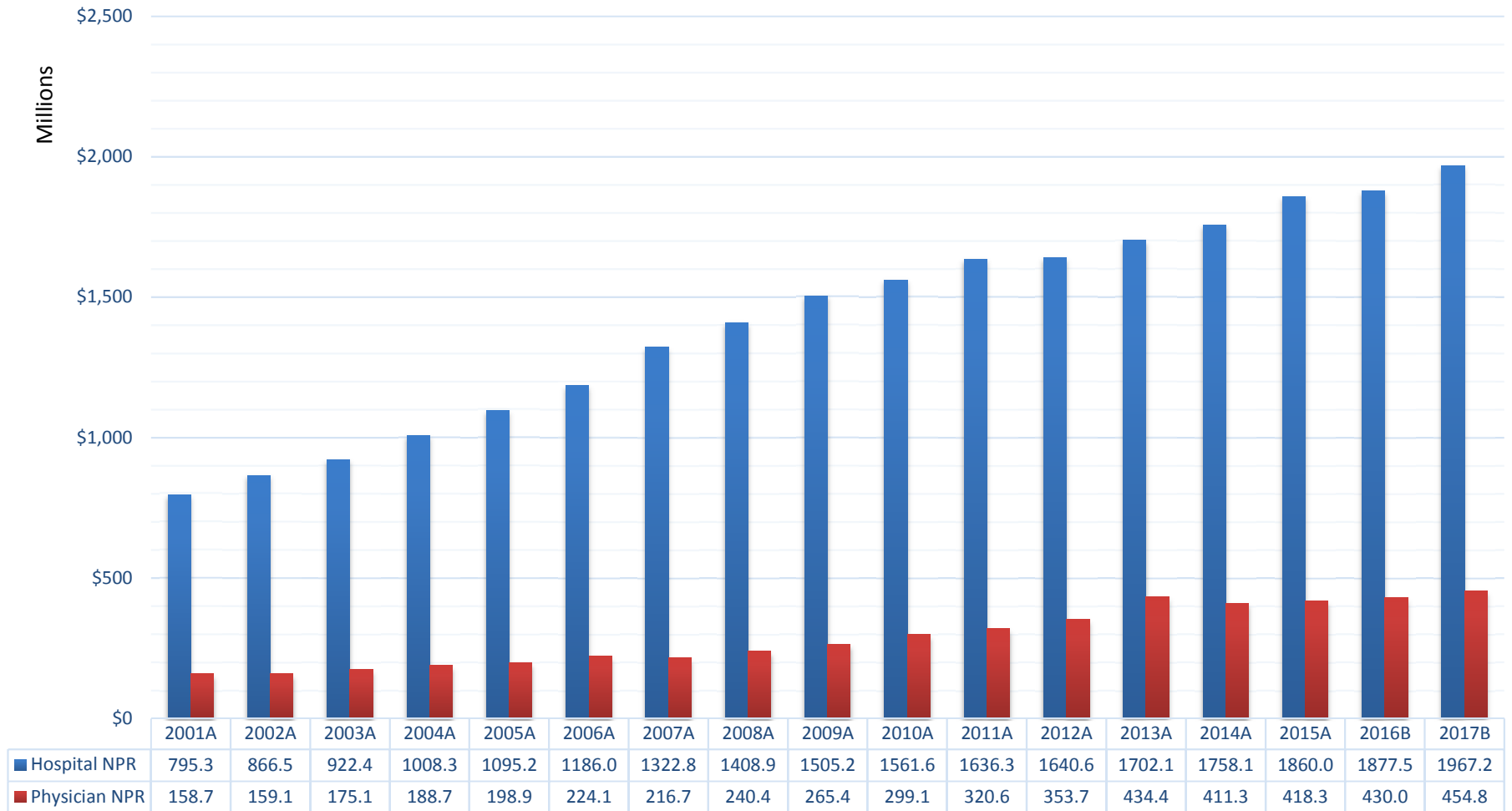


Vermont Community Hospitals

NET PAYER REVENUE CHANGE		FY2016	FY2017	B16-B17 \$Change	B16-B17 % change	NPR From Rate	NPR From All Other
All Payers	Gross Revenue	\$4,892,291,634	\$5,026,525,427	\$134,233,793	2.7%		
	Allowances...	(\$2,524,556,330)	(\$2,573,065,857)	(\$48,509,527)	1.9%		
	Bad Debt...	(\$79,755,659)	(\$66,540,956)	\$13,214,704	-16.6%		
	Free Care...	(\$45,838,756)	(\$33,384,035)	\$12,454,720	-27.2%		
	Disproportionate Share Payments	\$35,340,159	\$38,420,536	\$3,080,377	8.7%		
	Graduate Medical Education Payments	\$30,000,000	\$30,000,000	\$0	0.0%		
	Net Payer Revenue	\$2,307,481,048	\$2,421,955,115	\$114,474,067	5.0%	\$23,475,912	\$90,998,155
Commercial	Gross Revenue	\$2,017,137,073	\$1,972,176,370	(\$44,960,703)	-2.2%		
	Allowances	(\$617,095,442)	(\$550,439,442)	\$66,656,000	-10.8%		
	Bad Debt	\$0	\$0	\$0	0.0%		
	Free Care	\$0	\$0	\$0	0.0%		
	Disproportionate Share Payments	\$0	\$0	\$0	0.0%		
	Graduate Medical Education Payments	\$0	\$0	\$0	0.0%		
	Net Payer Revenue	\$1,400,041,631	\$1,421,736,928	\$21,695,297	1.5%	\$17,734,257	\$3,961,040
Medicaid	Gross Revenue	\$845,081,501	\$934,389,210	\$89,307,709	10.6%		
	Allowances	(\$590,061,801)	(\$671,875,386)	(\$81,813,585)	13.9%		
	Bad Debt	\$0	\$0	\$0	0.0%		
	Free Care	\$0	\$0	\$0	0.0%		
	Disproportionate Share Payments	\$35,340,159	\$38,420,536	\$3,080,377	8.7%		
	Graduate Medical Education Payments	\$30,000,000	\$30,000,000	\$0	0.0%		
	Net Payer Revenue	\$320,359,859	\$330,934,360	\$10,574,501	3.3%	\$70,851	\$10,503,649
Medicare	Gross Revenue	\$2,030,073,060	\$2,119,959,846	\$89,886,786	4.4%		
	Allowances	(\$1,317,399,087)	(\$1,350,751,029)	(\$33,351,941)	2.5%		
	Bad Debt	\$0	\$0	\$0	0.0%		
	Free Care	\$0	\$0	\$0	0.0%		
	Disproportionate Share Payments	\$0	\$0	\$0	0.0%		
	Graduate Medical Education Payments	\$0	\$0	\$0	0.0%		
	Net Payer Revenue	\$712,673,972	\$769,208,817	\$56,534,845	7.9%	\$5,670,801	\$50,864,044
Bad Debt/Free Care	Gross Revenue			\$0	0.0%		
	Allowances			\$0	0.0%		
	Bad Debt	(\$79,755,659)	(\$66,540,956)	\$13,214,704	-16.6%		
	Free Care	(\$45,838,756)	(\$33,384,035)	\$12,454,720	-27.2%		
	Disproportionate Share Payments			\$0	0.0%		
	Graduate Medical Education Payments			\$0	0.0%		
	Net Payer Revenue	(\$125,594,415)	(\$99,924,991)	\$25,669,424	-20.4%	\$0	\$25,669,424

Net Patient Revenue History

Vermont Community Hospitals Net Patient Revenue Growth



FY 2017 Submitted Budgets

FY 2016 to 2017 Changes

Overall utilization as measured by adjusted admissions shows an increase: 3.3%

Acute admissions up.....	+ 5.7%
Physician & clinic visits up.....	+ 3.4%

Overall increase of 391 Non MD Full Time Equivalents

Overall Physician decrease of 2

Capital Budgets total \$136.6 million

Planned CONs of another \$148.1 million

Overall financial health

Days cash on hand are decreasing
Overall net assets increasing
Debt measure are stable

History of the Cost Shift

Vermont Community Hospitals Cost shift Trends

Fiscal Year	Medicare	Medicaid	Free Care	Bad Debt		*Commercial Insurance & Other
Act 2008	\$ (69,003,712)	\$ (103,569,366)	\$ (23,623,972)	\$ (30,252,980)	----->	\$ 226,450,033
Act 2009	\$ (73,627,496)	\$ (119,979,398)	\$ (24,292,187)	\$ (32,391,214)	----->	\$ 250,290,295
Act 2010	\$ (73,515,988)	\$ (138,016,619)	\$ (24,806,398)	\$ (33,076,863)	----->	\$ 269,415,868
Act 2011	\$ (88,399,861)	\$ (152,256,740)	\$ (25,784,124)	\$ (34,331,093)	----->	\$ 300,771,818
Act 2012	\$ (74,383,192)	\$ (151,931,648)	\$ (24,347,367)	\$ (39,264,676)	----->	\$ 289,926,884
Act 2013	\$ (128,108,641)	\$ (105,982,171)	\$ (24,684,304)	\$ (37,383,822)	----->	\$ 296,158,938
Act 2014	\$ (155,622,607)	\$ (148,344,481)	\$ (19,370,131)	\$ (34,885,055)	----->	\$ 358,222,274
Act 2015	\$ (173,203,078)	\$ (184,115,357)	\$ (16,032,485)	\$ (30,469,896)	----->	\$ 403,820,817
Bud 2016	\$ (190,902,198)	\$ (176,505,430)	\$ (20,475,712)	\$ (38,158,176)	----->	\$ 426,041,516
Bud 2017	\$ (194,348,566)	\$ (221,728,085)	\$ (15,266,640)	\$ (32,213,567)	----->	\$ 463,556,857

Payer values include all hospital and employed physician services

Numbers in parentheses reflect the estimated cost of services that each payer shifted to other payers

Medicaid values include non-Vermont Medicaid of approximately 5%.

* The amount providers shifted to commercial insurance and self pays.

Vermont Community Hospitals							Vt Median	Northeast CAH	Other Non- Profit	100 - 199 Beds	All Teaching
KEY INDICATORS	2013 A	2014 A	2015 A	2016 B	2016 P	2017 B	2017 B	U.S. Benchmarks FY2014			
Utilization											
Adjusted Admissions	182,163	174,851	173,569	168,912	175,664	174,478	8,261	-	-	-	-
Capital											
Age of Plant	9.6	10.2	11.4	11.9	11.9	12.3	12.0	11.3	11.3	11.2	11.2
Long Term Debt to Capitalization	32.8%	29.7%	27.6%	31.3%	32.0%	29.5%	26.9%	27.1%	31.2%	23.5%	30.6%
Debt Service Coverage Ratio	2.9	3.3	3.7	2.7	2.8	3.1	4.2	4.4	2.8	3.0	5.0
Revenue											
Bad Debt %	1.7%	1.6%	1.3%	1.6%	1.4%	1.3%	1.6%	5.6%	5.5%	6.7%	4.1%
Free Care %	1.2%	0.9%	0.7%	0.9%	0.8%	0.7%	0.7%	-	-	-	-
Operating Margin %	3.1%	3.7%	4.6%	2.8%	2.8%	2.8%	1.9%	-2.4%	0.7%	2.8%	3.0%
Total Margin %	6.2%	5.7%	3.7%	4.1%	4.1%	4.1%	3.2%	3.2%	3.7%	5.7%	5.6%

Vermont Community Hospitals							Vt Median	Northeast CAH	Other Non- Profit	100 - 199 Beds	All Teaching
KEY INDICATORS	2013 A	2014 A	2015 A	2016 B	2016 P	2017 B	2017 B	U.S. Benchmarks FY2014			
Productivity & Staffing											
Overhead Expense w/ fringe, as a % of Total Operating Exp	27.1%	26.5%	26.9%	28.2%	27.7%	28.1%	26.1%	-	-	-	-
Cost & Revenue Unit of Measure											
Cost per Adjusted Admission	11,894	12,632	13,305	14,067	13,725	14,303	10,264	-	7,557	7,453	7,645
Liquidity											
Current Ratio	3.2	3.4	3.4	3.5	3.5	3.5	2.9	1.4	2.3	1.7	1.8
Days Cash on Hand	161	176	179	180	175	166	129	99	74	75	110
Payer											
Medicare Gross as % of Tot Gross Rev	39%	42%	42%	41%	42%	42%		-	-	-	-
Medicaid Gross as % of Tot Gross Rev	16%	16%	18%	17%	18%	19%		-	-	-	-
Comm/self Gross as % of Tot Gross Rev	45%	42%	40%	41%	41%	39%		-	-	-	-
Medicare % of Net Rev (incl DSH)	31%	33%	32%	31%	32%	32%		-	-	-	-
Medicaid % of Net Rev (incl DSH)	14%	12%	12%	13%	13%	12%		-	-	-	-
Comm/self % of Net Rev (incl DSH)	55%	55%	55%	56%	55%	55%		-	-	-	-

Key dates & timelines

July 28 Preliminary presentation of hospital system budgets

July-Aug Detail review of each budget

- ✓ Forward budget materials to Health Care Advocate
- ✓ Examine individual hospital narratives
- ✓ Analyses of financial and statistical indicators
- ✓ Review completeness with GMCB budget instructions
- ✓ Prepare staff report with key GMCB questions and issues hospitals should address

August 12 Staff reports to be sent to individual hospitals with GMCB budget questions

August 17-18 Hospital Budget Hearings - Burlington

August 24-25 Hospital Budget Hearings - Montpelier

Aug 26 - Sept 14 GMCB deliberates individual hospital budgets

Sept 15 GMCB informs hospitals of their approved rate and budget as required by statute

Oct 1 GMCB provides written Orders to hospitals

Ongoing Public comment



Next Steps Issues to Examine

- ✓ Review net patient revenue change for each hospital
 - ✓ Identify physician acquisitions, changes
 - ✓ Description of health care reform investments
 - ✓ Other program changes
- ✓ Test and understand payer revenue estimates
- ✓ Analysis of assumptions used for building rate request
- ✓ Reconciliation of utilization and FTE changes in each hospital
- ✓ Capital budget impacts on 2017 budgets
- ✓ Identify and understand variances for key indicators and measures



Next steps

Board Review & Decision-making

- ✓ **GMCB will review:**
 - ✓ individual budgets & narratives
 - ✓ capital plans
 - ✓ staff reports
- ✓ **GMCB will hear hospital budget testimony in August**
- ✓ **GMCB will review comments from Health Care Advocate**
- ✓ **GMCB will review public comments**
- ✓ **GMCB will establish budgets for FY 2017 by Sept 15th**

Resources



Hospital Budget Hearings schedule and hospital budget information on the web:

<http://gmcboard.vermont.gov/sites/gmcb/files/files/hospital-budget/GMCB-B17-Hearing-Calendar.pdf>

<http://gmcboard.vermont.gov/hospital-budget/2017>

To provide public comment on the web: <http://gmcboard.vermont.gov/board/comment>

Or email/mail comments to: Jaime.Fisher@state.vt.us

Green Mountain Care Board

89 Main Street, Montpelier, Vt. 05620

Report questions call (802) 828-2177 and ask for:

Michael Davis

Janeen Morrison

Lori Perry

End



Appendix

Net Patient Revenue change

HOSPITAL	2015 Actual Results	2016 Approved Budget	2016 Projection	2017 Submitted Budget	2016 to 2017 \$ Change	% Change
Brattleboro Memorial Hospital	\$ 75,742,920	\$ 73,896,151	\$ 72,991,814	\$ 76,408,611	\$ 2,512,460	3.4%
Central Vermont Medical Center	\$ 173,990,659	\$ 173,996,286	\$ 188,326,158	\$ 193,220,803	\$ 19,224,517	11.0%
Copley Hospital	\$ 63,464,436	\$ 60,987,719	\$ 62,479,008	\$ 65,509,894	\$ 4,522,175	7.4%
Gifford Medical Center	\$ 53,896,728	\$ 56,201,733	\$ 55,825,622	\$ 57,762,429	\$ 1,560,696	2.8%
Grace Cottage Hospital	\$ 16,038,766	\$ 18,375,041	\$ 17,242,729	\$ 19,205,503	\$ 830,462	4.5%
Mt. Ascutney Hospital & Health Center	\$ 45,514,515	\$ 48,060,871	\$ 46,612,145	\$ 47,744,700	\$ (316,171)	-0.7%
North Country Hospital	\$ 73,297,094	\$ 76,604,320	\$ 78,028,954	\$ 81,189,662	\$ 4,585,342	6.0%
Northeastern VT Regional Hospital	\$ 65,548,594	\$ 68,095,300	\$ 69,210,200	\$ 71,339,400	\$ 3,244,100	4.8%
Northwestern Medical Center	\$ 97,798,763	\$ 95,697,390	\$ 99,725,077	\$ 102,887,017	\$ 7,189,627	7.5%
Porter Medical Center	\$ 70,596,270	\$ 75,581,083	\$ 73,456,764	\$ 76,094,922	\$ 513,839	0.7%
Rutland Regional Medical Center	\$ 228,328,637	\$ 233,248,162	\$ 244,117,555	\$ 243,415,448	\$ 10,167,286	4.4%
Southwestern VT Medical Center	\$ 142,769,168	\$ 144,025,568	\$ 147,356,927	\$ 152,792,211	\$ 8,766,643	6.1%
Springfield Hospital	\$ 55,926,090	\$ 55,936,500	\$ 56,775,906	\$ 59,147,241	\$ 3,210,741	5.7%
University of Vermont Medical Center	\$ 1,115,357,666	\$ 1,126,774,924	\$ 1,126,774,924	\$ 1,175,237,274	\$ 48,462,350	4.3%
Total All Vermont Community Hospitals	\$ 2,278,270,306	\$ 2,307,481,048	\$ 2,338,923,784	\$ 2,421,955,115	\$ 114,474,067	5.0%
Annual Year to Year % Change	5.0%	1.3%	2.7%	5.0%		

History of Rate increases

Vermont Community Hospitals FY 2013 - 2017

	2013		2014		2015		2016		2017
	Submitted	Approved	Submitted	Approved	Submitted	Approved	Submitted	Approved	Submitted
Brattleboro Memorial Hospital	7.5%	5.2%	6.2%	5.8%	2.7%	2.7%	-1.2%	-1.4%	3.5%
Central Vermont Medical Center	5.0%	5.0%	7.9%	6.9%	5.9%	5.9%	4.7%	4.7%	3.0%
Copley Hospital	3.0%	3.0%	6.0%	6.0%	0.0%	0.0%	-3.0%	-4.0%	0.0%
Gifford Medical Center	6.1%	6.1%	7.6%	7.6%	5.6%	5.6%	5.8%	5.8%	3.9%
Grace Cottage Hospital	6.5%	6.5%	6.0%	6.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Mt. Ascutney Hospital & Health Ctr	7.0%	7.0%	5.0%	5.0%	3.2%	3.2%	5.7%	5.7%	4.9%
North Country Hospital	4.6%	4.6%	8.0%	8.0%	8.3%	8.3%	4.8%	4.8%	3.5%
Northeastern VT Regional Hospital	6.5%	6.5%	5.8%	5.6%	5.0%	5.0%	5.2%	5.2%	3.8%
Northwestern Medical Center	2.9%	2.9%	4.6%	3.9%	6.4%	6.4%	-8.0%	-8.0%	2.9%
Porter Medical Center	5.0%	5.0%	6.0%	6.0%	5.0%	5.0%	5.3%	5.3%	3.7%
Rutland Regional Medical Center	10.3%	10.3%	4.8%	4.8%	8.4%	8.4%	3.7%	3.7%	-5.1%
Southwestern VT Medical Center	9.9%	6.8%	9.0%	7.2%	4.5%	4.5%	3.8%	3.8%	3.9%
Springfield Hospital	6.0%	6.0%	6.0%	4.6%	5.5%	5.5%	2.8%	2.8%	0.0%
The University of Vermont Medical Center	9.4%	9.4%	4.5%	4.4%	7.8%	7.8%	6.0%	6.0%	3.0%
Weighted Average All Hospitals	8.2%	7.9%	5.5%	5.2%	6.8%	6.8%	4.3%	4.4%	2.2%

UVMHC reported a 0% rate increase in 2015, 2016 and 2017. CVMC reported a 0% rate increase in 2017. The weighted average has been estimated to reflect the UVMHC and CVMC negotiated commercial rates in 2015, 2016 and 2017.